



AN ASSOCIATION OF
MONTANA HEALTH
CARE PROVIDERS

**Testimony on House Bill 71
Before the Senate Finance and Claims Committee**

**Presented by Bob Olsen, MHA Vice President
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The hospital utilization fee was first authorized by the Legislature in 2003. It was reauthorized in 2005 and 2007.

HB 71 removes the sunset provision and extends a very successful program for hospitals – and, as a result, for privately-insured Montanans.

Medicaid's payment rates to hospitals are far less than the actual cost of treating beneficiaries. Except for critical access hospitals, Medicaid pays about 70% of the cost to provide hospital care. In the upcoming biennium, the Department of Public Health & Human Services has projected that \$135 million is needed to bridge the gap between payments and the cost of treatment.

If hospitals can't recover these unpaid costs, they will have to increase their prices – and that would contribute to higher insurance premiums and greater health care costs for privately-insured Montanans.

This is an especially critical issue in our state's small communities where the affordability of health care coverage is always an issue and where hospitals are always extremely vulnerable financially.

Here's how the program works:

- For every \$1 that is spent on Medicaid services, 32 cents is paid from state funds and 68 cents comes from the federal government.
- Under this program, once a year, hospitals pay the state a fee that is based upon the number of patient days they provide.

- This money becomes part of the money the state uses to reimburse hospitals for Medicaid services. As such, it is matched with federal dollars and distributed to hospitals all over the state based on the amount of Medicaid business they provide.
- The funds generated by the fee are used **ONLY** to pay hospitals. This ensures that hospitals recover their unpaid Medicaid costs and aren't forced to shift these unpaid costs onto privately-insured Montanans.
- There is no cost to the patient for this program. Hospitals' charges are based on projected costs and projected revenues. The fee qualifies as a cost to the hospital. However, because Medicaid payments are higher as a result of the fee, this cost is offset most of the time. If anything, hospitals' costs for privately-insured patients are lower with the fee than they would be if the fee weren't in place.

HB 71 simply removes the sunset provision from State statutes, ensuring the program will continue into the future. The fees are established in current law for at least the next four years.

What happens if HB 71 does not pass? We will have to use general fund to pay for hospital care, or, in effect, impose a \$135 million tax increase on privately-insured Montanans. That's the amount hospitals statewide will have to find to cover their unpaid Medicaid costs.

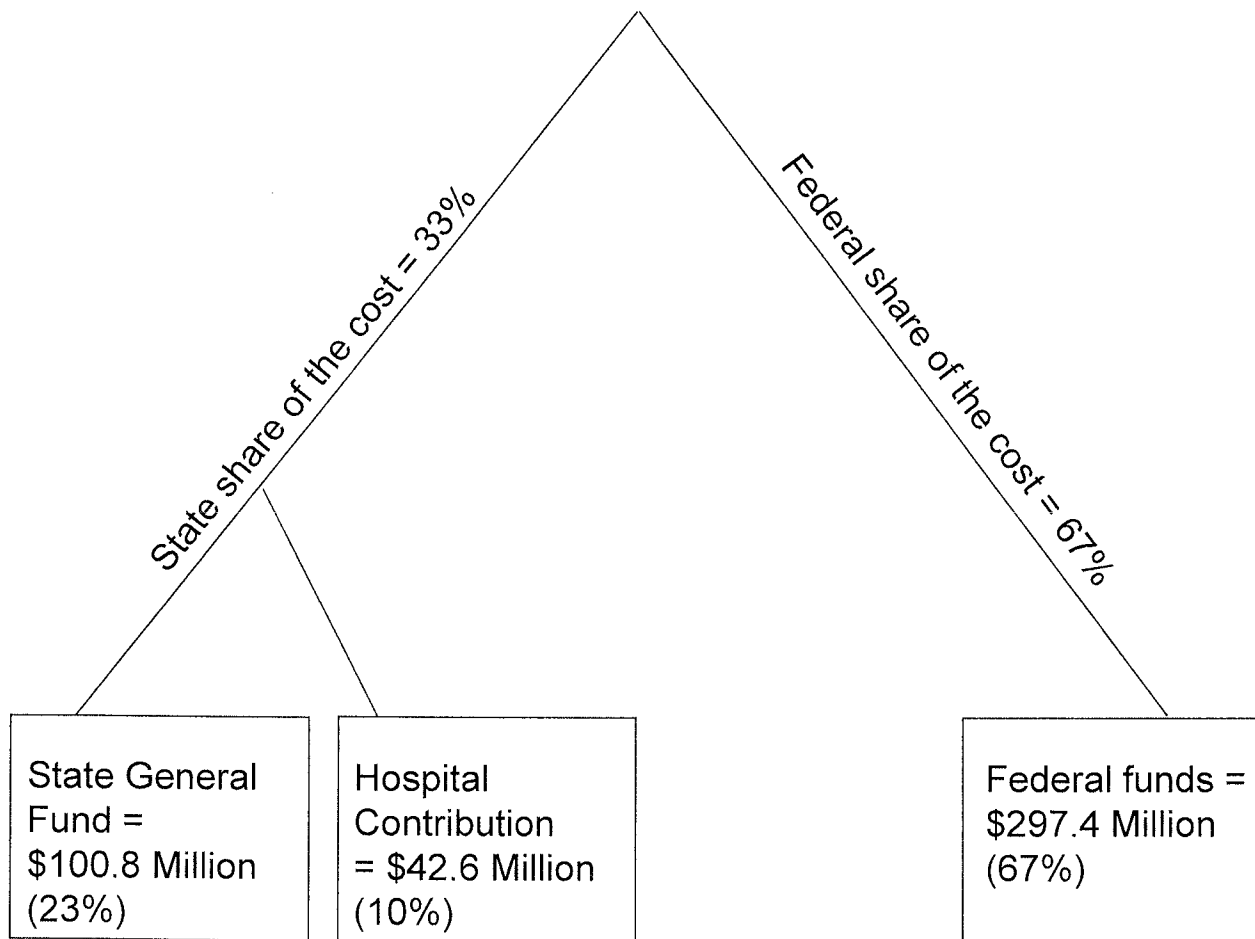
If we do pass this bill, hospitals will pay about \$44.5 million that will enable them to recover the \$135 million in unpaid Medicaid costs.

Montana's program meets all the current statutory and regulatory requirements, including the federal cap on the amount of fee that the state's can assess.

As an added protection, Montana's statute would be null and void if federal statutory or regulatory requirements change.

Thank you for your continued support of this program.

Medicaid Spending for Hospital Services = \$440.8 Million
(FY 2010-2011)



Source: Legislative Fiscal Division Budget Analysis. Figure 38. Page B-206.